

MEMORANDUM

NATIONAL SECURITY COUNCIL

ARMY REVIEWED 03-Dec-2009: REFER TO OSD

TOP SECRETURGENT INFORMATION

May 1, 1972

ARMY REVIEWED 03-Dec-2009: NO OBJECTION TO DECLASSIFICATION

MEMORANDUM FOR GENERAL HAIG

FROM: Phil Odeeng w

SUBJECT: Army Incremental War Costs

Revised Phil
We must get
out of this
if some urgency
CO

The attached Secretary of the Army memo estimating incremental Vietnam war costs through September will interest you.

The FY 72 bill of about \$40.0 million should not cause a major problem. But even if the fighting calms down by June, the FY 73 cost (\$200 million) cannot be absorbed without a major impact on Army force structure. If fighting continues through September, Army costs alone will exceed \$400 million.

The Air Force appears better off with FY 73 incremental costs through September approaching \$210 million while the Navy is claiming incremental costs of over \$900 million. OSD believes the Navy is using this as an opportunity to "get well" but if Navy's estimates are close, the DOD wide impact could approach \$1.5 billion.

It is too early to plan a supplemental budget request but it is imperative that HAK not be taken by surprise. We should think about alternative ways of coping with this problem now.

I have forwarded a memo to HAK outlining this and the potential problems caused by likely Congressional cuts in FY 73. I recognize the difficulty in facing this problem at the moment, but it is important that it not be ignored.

OSD REVIEWED 03-Dec-2009: NO OBJECTION TO DECLASSIFICATION

TOP SECRET

**DEPARTMENT OF THE ARMY**

WASHINGTON, D.C. 20310

26 April 1972

MEMORANDUM FOR THE SECRETARY OF DEFENSE**SUBJECT: Impact of Increased South Vietnam Activity**

The fiscal impact on the Army for FY 1972 and FY 1973 resulting from the increased activity in Vietnam for the various time periods of 30, 60, 90, and 179 days is shown below. Costs were derived under the assumption that the approved withdrawal scenario for ground forces will continue.

Estimated Additional Costs Above Program 1/
(\$ in millions)

	<u>30</u>	<u>60</u>	<u>FY 72</u> <u>90</u>	<u>179</u>
MPA	No significant FY 72 costs			
Procurement	No significant FY 72 costs			
OMA	<u>19.1</u>	<u>31.1</u>	<u>39.3</u>	<u>39.3</u>
<u>FY 73</u>				
MPA	No significant FY 73 costs			
Procurement 2/	71.1	124.7	179.4	338.5
(Aircraft)	(7.6)	(15.2)	(22.7)	(45.3)
(Other Equipment)	(32.5)	(47.5)	(63.7)	(107.2)
(Ammo)	(31.0)	(62.0)	(93.0)	(186.0)
OMA	<u>6.8</u>	<u>14.6</u>	<u>23.6</u>	<u>73.9</u>
TOTAL	<u>77.9</u>	<u>139.3</u>	<u>203.0</u>	<u>412.4</u>

1/ Additional supporting cost data is at Inclosure 1.

2/ Costs will appear in FY 73 but actual procurement will extend into FY 74 and beyond.

Of these costs, only \$15.0M can be offset without some impact on other programs. This \$15.0M excess has resulted from the revision of the FY 73 official plaster rate of exchange. The remainder, for any specified time period, can be absorbed only at the expense of unfinancing other priority items, reprogramming, transfer of funds between appropriations, or deficiency funding under Revised Statute 3732, if determined applicable.

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26 APR 1972


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No Objection To Declassification in Full 2010/09/02 : LOC-HAK-451-3-1-6

SUBJECT: Impact of Increased South Vietnam Activity

Until the military situation stabilizes in RVN, data on actual equipment losses from which some of the above costs are computed remain tentative and might vary by as much as 20 to 30% depending on ARVN and enemy actions and actual reporting problems. When firm data are available, costs will be recomputed and the impact reassessed.

A memorandum addressing the non-fiscal impacts of the increased South Vietnam activity is forwarded for your use in assessing the total effect on the U.S. Defense Program.


KENNETH E. BELIEU
Acting Secretary of the Army

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No Objection To Declassification in Full 2010/09/02 : LOC-HAK-451-3-1-6